LEGISLATIVE ALERT

BY THE COMMITTEE ON THE BUDGET, REPUBLICAN CAUCUS

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul Ryan, *Ranking Republican*

Phone: (202)-226-7270
Fax: (202)-226-7174
James T. Bates, *Republican Staff Director*

RECONCILIATION – STUDENT AID BILL

A TROJAN HORSE FOR NINE NEW ENTITLEMENTS

(H.R. 2669)

The student aid bill passed out of the Committee on Education and Labor creates nine new entitlement programs, and abuses the protection of reconciliation procedures through token budgetary "savings." It also favors the government-controlled and costly direct lending program over non-profit and commercial lenders, promoting a back-door expansion of taxpayer-financed student support and a substantial increase in taxpayer liability. Key points on H.R. 2669:

- ***Creates Nine New Entitlements.*** Budget experts have unequivocally warned Congress that the unrestrained growth in entitlement spending programs is the largest threat to our nation's long-term economic health. Despite this, the Democrats not only failed to address the problem in their budget, they're choosing to make the problem even worse by creating nine <u>new</u> entitlement programs. Further, while the bill claims some of these programs will "sunset," we all know entitlement programs, once created, never die.

- ***Contains No Meaningful Reform.*** This bill contains no serious reform: it represents business as usual for existing programs, except that interest rates and limits in existing programs are changed to make room for more spending. Its purported $1.7 billion in budgetary "savings" represents a mere 4 percent of the savings achieved in the Deficit Reduction Act of 2005 – and even that assumes the new entitlement programs will actually "sunset." *If these new entitlement programs continue, they will add another $15 - 30 billion over five years onto already-unsustainable entitlement program costs*.

- ***Gains "Fast-Track" Reconciliation Protection for Token Savings.*** Nevertheless, the nominal savings in the bill allow it to be considered under the expedited procedure of budget reconciliation, which protects it from a potential filibuster in the Senate. The Committee-passed bill takes $18.58 billion from student loan providers only to spend more than $17.13 billion on new entitlement spending – a net savings of less than 9 percent.

- ***Favors Government Over Markets, Increasing Taxpayer Liability.*** As noted, the bill favors the government-controlled and costly direct lending program over non-profit and commercial lenders, promoting a back-door expansion of taxpayer-financed student support. As students are pushed toward the government monopoly, the student benefits and services provided by non-government lenders to attract business would be lost. Further, the government-run program handles only 20 percent of loans – it would be overwhelmed with the new business and shut down, as it has in the past when large volumes shifted into the program.

As Senate Budget Committee Chairman Conrad said: *The reconciliation instruction that led to this bill is just a "stalking-horse for a significant expansion of spending."*

<u>Please join us in opposing this back-door expansion of entitlement spending</u>.

Authorized by . . . . Paul Ryan, Ranking Republican